

Public Private Partnerships In Transportation

**Presentation to the
Transportation
Finance Task Force**

March 30, 2006

Presentation Outline

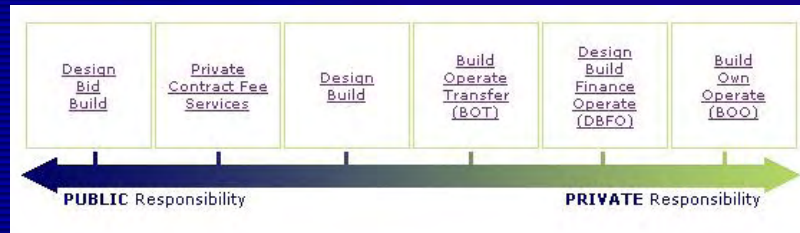
- I. Definition of Public Private Partnerships**
- II. Potential For Private Toll Roads in Southern California**

I. Definition of Public Private Partnerships

What Are Public Private Partnerships (PPPs) In Transportation?

- The FHWA defines PPPs as “contractual agreements, formed between a public agency and private sector entity, which expand on the traditional, private sector role in the delivery of transportation projects.”
- PPPs occur in a range of structures, with varying levels of private responsibility.

Private Involvement in Transportation Projects Can Vary Significantly



Source: Federal Highway Administration

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Design Build: Increasing Private Responsibility in Design and Construction

- “Design Build” is much like the traditional design bid build model, but the design and construction components are combined.
- The combination of design and construction work can:
 - avoid conflicts between the designer and builder
 - increase design efficiencies
 - reduce the project delivery time
- Examples:
 - Gold Line Eastside Extension
 - Interstate 405 HOV Lane

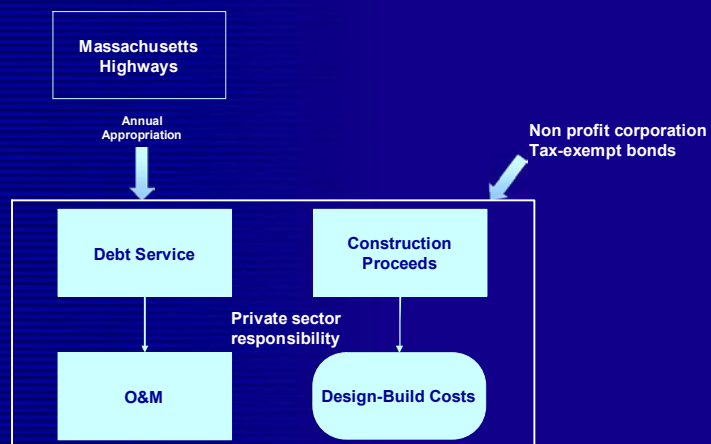
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Design Build Finance Operate: Minimizes Public Involvement and Initial Investment

- The public chooses a private sector partner to design, construct, finance, and operate the facility.
- The public sector makes annual payments for the project and/or relinquishes tolls to the private sector partner.
- Examples:
 - Massachusetts Highways Route 3
 - SR 91 Express Lanes
 - SR 125 Toll Road

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Route 3: Mass Highways Makes Annual Appropriation for All Capital and O&M Costs



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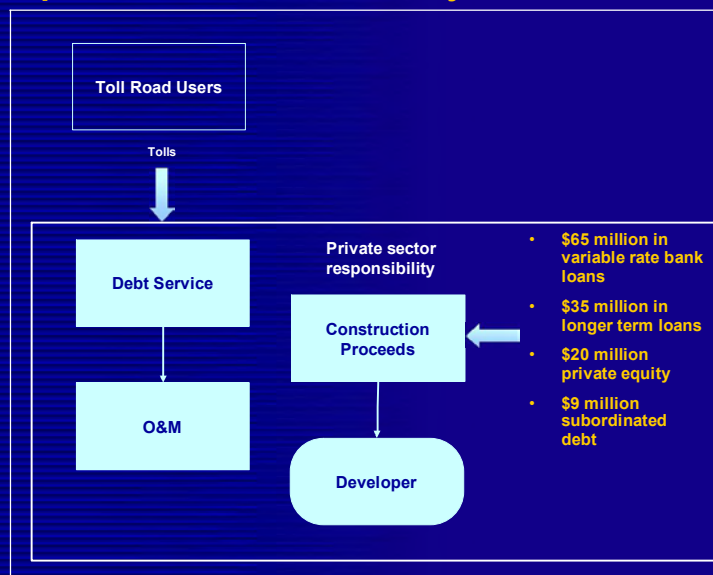
SR 91 Express Lanes: The First Privately Financed Toll Road in Fifty Years

- A four-lane, 10-mile toll facility in the median of SR 91 (Riverside Freeway).
- The first fully automated toll road in the world and first variably-priced toll road in the United States.
- Opened in December 1998 at an estimated cost of \$134 million
- Initially privately financed and operated.
- Purchase by the OCTA in 2002 for \$187 million.



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SR 91 Express Lanes: Developer Constructs, Operates and Finances Project



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SR 125: A Second Privately Financed Toll Road Resulting From AB 680

- A 4-lane, 9.5 million toll road from Otay Mesa towards SR 54.
- Expected to be privately financed, constructed and operated; opening in early 2007.
- Private owner has franchise with the State to collect “market rate” tolls for 35 years.
- Total project cost is \$640 million, funded from:
 - \$140 million TIFIA loan
 - \$160 equity from Macquarie Infrastructure Group
 - \$48 million in dedicated right-of-way from local developers
 - Bank loans

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What Are The Benefits of PPPs?

- PPPs have the potential to:
 - Expedite completion of projects;
 - Result in cost savings;
 - Improve quality and system performance from the use of innovative materials and management techniques;
 - Substitution of private resources and personnel for constrained public resources; and,
 - Access to new sources of private capital.

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Are PPPs An Emerging Trend?

- Design-build contracting has continued to expand for both highway and transit construction.
- Local governments are actively pursuing large-scale toll road concessions and DBOF proposals.
 - Chicago Skyway
 - Indiana Toll Road
 - New Jersey Transit
 - Harris County
 - Oregon DOT Innovative Partnership

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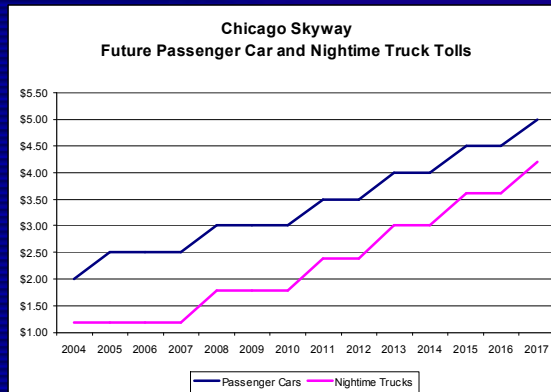
Chicago Skyway: A \$1.83 Billion Benefit for the City

- In December 2004, the City of Chicago sold a 99-year concession on its Skyway toll bridge.
- The City received a \$1.83 billion payment for the concession.
- The City intends to use the payment for its operating budget, reserves, special programs, and Skyway and other debt reduction.
- The concession gives the purchasers, Cintra and Macquarie (CinMac), rights to the Skyway tolls for 99 years.

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Chicago Skyway Concession Includes Pre-Determined Toll Increases

- Passenger car tolls will double by 2013.
- A 40% surcharge is assessed on daytime trucks.



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Oregon DOT: Implementing Privately Financed Toll Roads in the State

- In April 2005, ODOT issued a RFP for a “long-term strategic development partner” to “analyze, identify, plan, develop, design, construct and finance and potentially operate and maintain” projects in the State.
- The RFP provided preliminary cost and traffic data on three targeted projects.
- ODOT compiled a team of engineering, traffic, legal, and financial consultants to evaluate the proposals.
- ODOT selected a development partner and is now in a “pre-development phase” for the projects.
- ODOT expects that the partnership will “accelerate cost-effective project delivery and maximize innovation in project financing and delivery.”

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Private Investors are Interested in Public Infrastructure

- The Chicago Skyway concession demonstrates the magnitude of private resources available for public infrastructure.
- Private firms have created trusts specifically for public infrastructure that are funded from individual and institutional investor contributions.
- The private firms collect fees on the trust funds under management.
- In addition, new SAFETEA-LU private activity bond authorization can provide low cost funding for certain private investments.

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MIG: A \$10.8 Billion Trust with a Diversified International Toll Road Portfolio

Major operating asset performance

Asset	Traffic Increase % ¹	Revenue Increase % ¹	EBITDA Increase % ¹
407 ETR	3.1% ²	7.4%	11.8%
M6 Toll	(10.8%)	12.2%	16.2%
Eastern Distributor (M1)	5.5%	9.7%	12.0%
Dulles Greenway	1.7%	4.0%	1.0%
Skyway	4.8%	32.7%	40.7%
M5 Motorway	3.3%	4.1%	2.0%
Tagus River Crossings	(1.1%)	(0.7%)	0.4%
M4	2.9%	5.5%	3.3%
Warnow Tunnel	15.1%	21.9%	26.8%
MIG proportionately consolidated³	15.9%⁴	23.4%	23.5%

¹ For six-month period ended 31 December 2005 compared to previous corresponding period (pcp)

² Traffic calculated as total trips

³ This proportionately consolidated information includes, for both periods, only those assets that MIG held an interest in at 31 December 2005. The contribution of individual assets reflects the proportion of MIG's equity ownership at 31 December 2005, for both current and prior years.

⁴ Revenue weighted average

Source: Macquarie Infrastructure Group

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SAFETEA-LU Authorizes Tax-Exempt Private Activity Bonds for Highway Projects

- Tax-exempt private activity bonds give the private sector the same low-cost funding available to local government.
- SAFETEA-LU limits the total amount of private activity bonds to \$15 billion.
- The bonds must be used for qualified highway and surface freight transfer facilities.

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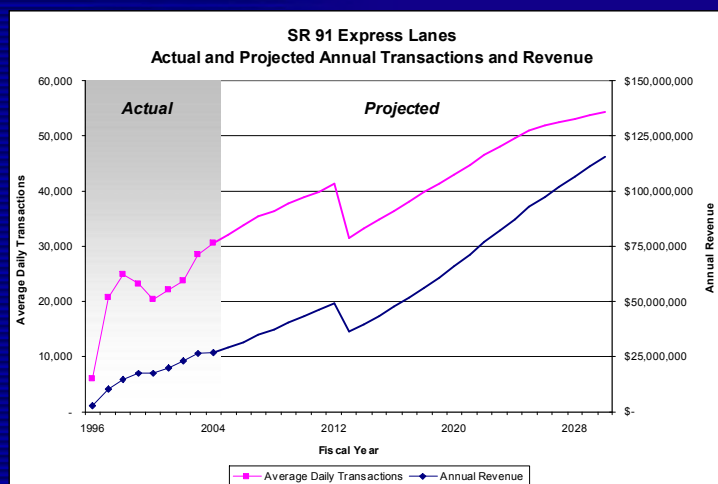
II. Potential For Private Toll Roads in California

Can PPPs Increase Transportation Investment In Southern California?

- The SR 91 and SR 125 are examples of the potential for private investment in State transportation infrastructure.
- Southern California has the traffic flows that can generate substantial toll revenue.
- Private toll road development is constrained by:
 - state and federal restrictions
 - public policy considerations

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The SR 91 Express Lanes Show the Revenue Potential of California Toll Roads



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Legal and Institutional Impediments Restrict Private Investment in Toll Roads

- The State must approve any new toll road, whether publicly or privately financed.
- The SR 91, SR 125 and TCA toll roads were approved as part of special legislation passed in 1989 and 1987.

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What are the Costs of PPPs to the Public Sector?

- A private toll road or concession relinquishes public control over tolls.
- Private toll roads may require restrictions of future toll road construction
 - SR 91 “Noncompete Provision”
 - SR 125 6-Mile “Franchise Zone”

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The Public Sector Has the Ability to Finance Toll Projects without Public Subsidies

- Local government has the ability to finance toll-supported projects using non-recourse debt.
 - SR 91: Purchased by the OCTA with bonds payable from tolls.
 - TCA: Orange county toll rolls financed without public funds
- Public agencies do not require a profit and may be more willing to limit future toll increases or allow future highway construction.

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Potential for PPPs in the Region

- The private sector has the capacity to fund and develop transportation projects that generate tolls and/or other dedicated revenues.
- The private sector has access to large pools of investment capital for toll road projects.
- The private sector has the expertise to implement the design, construction, and operation of a toll project.
- SCAG and the region's transportation providers should continue to evaluate the potential for private sector participation in revenue generating projects.

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